

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ELMWOOD	County LEELANAU
Fiscal Year End 12/31/2006	Opinion Date 02/28/2007	Date Audit Report Submitted to State 06/26/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

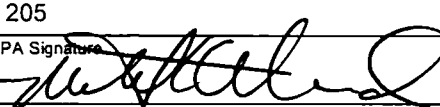
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM		Telephone Number 231-276-7668	
Street Address PO BOX 205		City INTERLOCHEN	State MI
Zip 49643			
Authorizing CPA Signature 	Printed Name ROBERT WARD		License Number 1101028281

CHARTER TOWNSHIP OF ELMWOOD
LEELANAU COUNTY
TRAVERSE CITY, MICHIGAN

AUDIT REPORT

For the Year Ended December 31, 2006

Wilson, Ward CPA Firm
P.O. Box 205
Interlochen MI 49643
(231) 276-7668

February 28, 2007

Ms. Derith Smith, Supervisor
Charter Township of Elmwood

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Charter Township of Elmwood. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Charter Township of Elmwood are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Charter Township of Elmwood during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Charter Township of Elmwood that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

COMMENT: The Vending machines were not under contract at the time of field work.

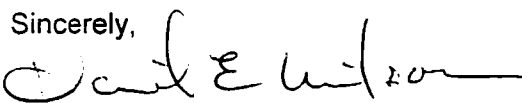
RECOMMENDATION: The Township should investigate all vending operations of all types, make appropriate agreements and insure that funds received are receipted through the Treasurer.

COMMENT: Procedures for the issue of receipts by other than the Treasurer were incomplete.

RECOMMENDATION: Follow Chapter 4 in the new accounting procedures guide.

COMMENT: The Timberlee Water Fund has had appropriate adjustments of prior past transfers.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the opportunity to perform your audit and continue the fine relationship.

Sincerely,

David E Wilson, CPA

CHARTER TOWNSHIP OF ELMWOOD
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INTRODUCTORY SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL REPORT BASED
ON AN AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER
COMPLIANCE

Elmwood Township
Manistee, MI 49660

We have audited the financial statements of Elmwood Township as of and for the year ended December 31, 2006, and have issued our report thereon dated February 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elmwood Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elmwood Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Elmwood Township's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Finding 2006-1 Lack of segregation of duties

- Criteria: All agencies who are of sufficient size, should maintain controls over certain areas which require a segregation of certain duties such as cash management, cash disbursements, account distribution and cash receipts.
- Condition: The size of the organization places all of the responsibility for account distribution on one person. Therefore, there is little or no segregation of duties with regard to account distribution.
- Cause: This is inherent in the assignment of duties according to the Michigan State Accounting Manual, Chapter 7, in that the Clerk is responsible for general ledger accounting and the Treasurer for the expenditure of cash.

Effect:	As a result of this condition, the organization lacks internal controls for proper account distribution.
View of Responsible Officials	The organization reviewed the need for enhanced internal control over account distribution and is instituting additional procedures to allow for review of account distribution.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. However, we did not consider any of the significant deficiencies described above to be a material weakness.

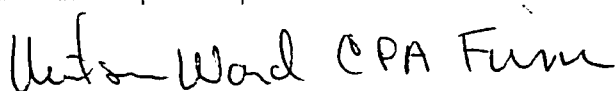
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elmwood Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Elmwood Township in a separate letter dated February 28, 2007.

Elmwood Township's response to the findings identified in our audit are described above. We did not audit Elmwood Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.



Interlochen, MI
February 28, 2007

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Charter Township of Elmwood
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Elmwood, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Elmwood, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Elmwood, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2007, on our consideration of the Charter Township of Elmwood, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Ward CPA Firm

Interlochen, MI
February 28, 2007

Elmwood Charter Township

Management Discussion and Analysis

This discussion and analysis provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights:

- The Township's net assets changed slightly with a 2 percent decrease attributed to depreciation.
- Township expenses did exceed revenues for emergency services. Overall general governmental revenues did cover the associated expense for 2006. Additional funding will continue to be explored.
- Business-type activity revenues decreased slightly less than the significant increase in expenditures. Fee increases were approved to cover this deficit.
- Emergency service expense continues to rise more rapidly than the planned revenues or designated reserves.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Township's operations in more detail than the Government-Wide Financial Statements by providing information about the Township's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Township's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Township as a Whole:

The following table shows a comparison of current and previous year net assets:

Assets	2005	2006
Cash	1,968,570	2,173,191
Other Current Assets	1,603,223	1,495,415
Capital Assets Net	<u>6,652,070</u>	<u>6,328,256</u>
Total Assets	10,223,863	9,996,861
Liabilities and Net Assets		
Liabilities	3,089,789	2,931,981
Net Assets	<u>7,134,074</u>	<u>7,064,879</u>
Total Liabilities and Net Assets	10,223,863	9,996,891

The Township's combined net assets decreased 2% from a year ago - decreasing from \$10,223,863 to \$9,996,861. This was primarily due to depreciation of the Greilickville Water System added in 2005 and the use of reserves to fund fire service operations. We can see that the net assets of the governmental activities decreased by approximately \$152,340 and net assets of business-type activities decreased by approximately \$74,662.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations. These assets decreased by approximately \$54,575 for the governmental activities. This represents a decrease of approximately 9.4 percent. The current level of unrestricted net assets for our governmental activities stands at \$580,000, or about 60 percent of our typical annual expenditures.

Governmental Activities:

	2005	2006
Revenues		
Taxes	461,480	321,511
State Grants	302,830	369,867
Interest and Rental	35,274	55,702
Charges for Services	18,247	18,190
Other	<u>50,935</u>	<u>88,411</u>
Total Revenue	868,766	853,682
Expenditure	941,691	964,740
Transfers	<u>33,488</u>	<u>37,836</u>
Excess Revenue	(39,737)	(73,222)

The Township's real governmental revenues decreased by approximately \$113,932. This decrease, which represents 19 percent, was primarily due to a drop in general property taxes.

These activities expenses increased by \$192,431, or 23 percent, and were due in part to a large interest payoff of long-term debt. The fire department also added two full-time positions to provide better service.

Business Type Activities:

The Township's business-type activities consist of the Sewer, Timberlee Water, Greilickville Water and the Marina Funds. Grand Traverse County Department of Public Works (GTDPW) provides contracted maintenance and operational services to our residents. GTDPW also bills and collects the associated fees and passes those funds on to the Township.

Overall revenues for these funds dropped 10% since 2005. This was primarily due to a decrease in customer hookups to the Greilickville Water System. Most customers chose to hook-up in 2005 in order to take advantage of reduced fees offered at that time. Revenues for Water and Sewer Funds did not cover operational expenses, but this will change in 2007 with the increased user fees approved in November 2006. Marina service charges exceeded operational costs and this income will be used for the planned expansion.

Expenditures for these activities increased by 26% over 2005. This increase reflects the first complete year of operations for the Greilickville Water System as well as completed upgrades to the Timberlee Water System.

	Sewer	Marina	Timberlee Water Fund	Greilickville Water Fund
Operating Revenue	348,714	416,911	66,917	33,980
Depreciation	94,132	107,118	15,602	47,605
Operating Income (Loss)	(47,907)	92,624	9,976	(68,315)

The Township's Funds:

Our analysis of the Township's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred from the General Fund for Fire Services is supported by an operational budget approved by the Township Board and included the use of reserve funds.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets. Some budget increases were necessary, the most significant to the Planning Commission. This increase was approved to facilitate completion of a new zoning ordinance.

Capital Asset and Debt Administration:

Capital Assets

The Township made no major capital improvements in 2006. Total net assets were slightly reduced with the first year depreciation on the Greilickville Water System.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Buildings and Land	1,549,236	35,673	257,732
Vehicles	506,005	34,321	340,807
Equipment	<u>70,443</u>	<u>6,993</u>	<u>42,384</u>
Total General Fixed Assets	2,125,684	76,987	640,924
Proprietary Funds			
Buildings and Imp	285,828	9,144	156,049
Equipment	88,955	11,154	46,338
Marina	2,017,834	86,820	981,256
Water Systems	1,031,362	60,636	635,983
Sewer System	<u>3,626,334</u>	<u>94,132</u>	<u>1,688,977</u>
	7,050,313	261,886	3,462,265

Debt

The Township acquired no additional debt in 2006. Existing long-term debt was reduced with the final payment on the Fire Station. Changes in the long-term debt are schedules below:

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds Payable				
1999 SAB Leelanau Hill	58,000		21,000	37,000
2002 SAB Timberlee	50,000		8,000	42,000
2004 SAB Greilickville	<u>1,165,000</u>		<u>65,000</u>	<u>1,100,000</u>
Total	1,273,000		94,000	1,179,000
General Long-Term Debt				
4.51% NP Marina Expansion	<u>300,725</u>		<u>45,224</u>	<u>255,501</u>
Total	1,573,725		139,224	1,434,501

Economic Factors and Next Year's Budgets and Rates:

Elmwood Charter Township's 2007 budget calls for the allocated .67 mil. With this millage we are able to fund the majority of fire services and general services including recreational parks. There are additional voted millages of .37 to supplement fire operations and .29 for police services. The need for updated fire and emergency equipment and the increased operational costs will require additional funding beginning in 2008 to maintain the current level of service.

Sewer and water are provided on a fee basis that covers operational expenses. These fee structures are examined on an annual basis to ensure adequate revenue to cover expenses. Both the Timberlee and Greilickville Water Systems and the Sewer System did have fee increases in 2007. These increases will offset the increased cost of operations and over a period of 5-10 years will restore a responsible level of reserves.

General Overview of the Accomplishments of Elmwood Charter Township in the 2006 Fiscal Year:

The Township finances have been managed very closely in 2006. This is reflected in a slight increase of the General Fund balance. The Township is in a very healthy state as a whole.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 946-0921.

CHARTER TOWNSHIP OF ELMWOOD
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, investments and cash equivalents	\$646,149	\$1,527,042	\$2,173,191
Receivables (net)	460,257	946,085	1,406,342
Prepaid Expenditures	4,488	46,734	51,222
Internal balances	37,851	0	37,851
Inventories	0		0
Due From Other Funds	0		0
Capital Assets, net	1,738,187	4,590,070	6,328,256
Total Assets	<u>2,886,930</u>	<u>7,109,931</u>	<u>9,996,861</u>
LIABILITIES			
Accounts payable	51,886	25,346	77,232
Deferred revenue	533,294	750,031	1,283,325
Due to Other Agencies	0	73,774	73,774
Deposits		11,945	11,945
Noncurrent liabilities (Note 2):			0
Due within one year	21,000	109,402	130,402
Due in more than one year	16,000	1,339,304	1,355,304
Total Liabilities	<u>622,180</u>	<u>2,309,801</u>	<u>2,931,981</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,738,187		1,738,187
Restricted for:			
Capital projects		3,351,425	3,351,425
Debt Service		1,448,706	1,448,706
Unrestricted (deficit)	526,562	0	526,562
Total Net Assets	<u>2,264,749</u>	<u>4,800,130</u>	<u>7,064,879</u>
Total Liabilities and Net Assets	<u>\$2,886,930</u>	<u>\$7,109,931</u>	<u>\$9,996,861</u>

CHARTER TOWNSHIP OF ELMWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		Total
			Operating Grants and Contributions			Governmental Activities	Primary Government Business-type Activities	
Primary government								
Governmental activities:								
Legislative	\$137,470	\$48,709	\$312,287			\$223,526		\$223,526
General government	281,997	18,190				(263,807)		(263,807)
Public safety	445,453	0				(445,453)		(445,453)
Public works	8,246					(8,246)		(8,246)
Health and Welfare	0					0		0
Community and Economic Development	0					0		0
Recreation and Culture	40,704					(40,704)		(40,704)
Other	9,339					(9,339)		
Interest on Long Term Debt	79,888					(79,888)		(79,888)
Total Governmental Activities	1,003,098	66,899	312,287	0		(623,912)	0	(623,912)
Business Type Activities								
Enterprise Funds	1,035,851	808,664					(227,188)	(227,188)
Total Primary Government	2,038,949	875,562	312,287	0		(623,912)	(227,188)	(851,100)
Component Unit								
EDC	\$0		\$0					\$0

General revenues:
Taxes

Property Taxes-general	\$321,511	\$125,711	\$447,223
Property Taxes-debt service	0		0
State-Shared Revenues	57,580		57,580
Unrestricted Investment Earnings	55,702	98,026	153,728
Franchise taxes	0		0
Contributions	0		0
Miscellaneous	39,702	45,836	85,538
Transfers	37,836	0	37,836
Total General Revenues-Special Items and Transfers	512,332	269,573	781,905
Changes in Net Assets	(111,580)	42,385	(69,195)
Net Assets - Beginning	2,376,329	4,757,745	7,134,074
Net Assets - Ending	\$2,264,749	\$4,800,130	\$7,064,879

CHARTER TOWNSHIP OF ELMWOOD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	Fire Fund	Other Non-major Funds	Total
ASSETS				
Cash, investments and cash equivalents	\$569,970	\$12,010	\$64,169	\$646,149
Receivables (net)	271,734	\$88,659	99,864	460,257
Prepaid Expenditures	4,488			4,488
Internal balances	37,851			37,851
Inventories				0
Due From Other Funds				0
Capital Assets, net (Note 1)				0
Total Assets	<u>884,042</u>	<u>100,669</u>	<u>164,033</u>	<u>1,148,744</u>
LIABILITIES				
Accounts payable	25,551	\$12,008	14,327	51,886
Internal balances	0			
Accrued payables				
Deferred revenue	343,240	\$88,659	101,395	533,294
Noncurrent liabilities (Note 2):				
Due within one year				
Due in more than one year				
Total Liabilities	<u>368,791</u>	<u>100,667</u>	<u>115,722</u>	<u>585,180</u>
NET ASSETS				
Invested in capital assets, net of related debt				
Restricted for:				
Capital projects				0
Debt Service				0
Unrestricted (deficit)	515,252	1	48,309	563,562
Total Net Assets	<u>515,252</u>	<u>1</u>	<u>48,309</u>	<u>563,562</u>
Total Liabilities and Net Assets	<u>\$884,042</u>	<u>\$100,669</u>	<u>\$164,033</u>	<u>\$1,148,744</u>

Amounts reported for Governmental Funds Balance Sheet are different because:

Balance per above		\$1,148,744
Add Capital Assets	1,738,187	
Balance per Statement of Net Assets		<u>\$2,886,931</u>

CHARTER TOWNSHIP OF ELMWOOD
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2006

	General Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes and Penalties	\$156,145	\$84,560	\$80,806	\$321,511
Licenses and Permits	48,709			48,709
Federal Grants				0
State Grants	366,213		3,654	369,867
Charges for Services	17,544	120	526	18,190
Fines and Forfeits				0
Interest and Rentals	52,183	885	2,635	55,702
Other Revenue	35,441		4,261	39,702
Total Revenues	676,234	85,565	91,882	853,682
Expenditures				
Current				
Legislative	137,470			137,470
General Government	281,997			281,997
Public Safety	167,838	209,705	85,540	463,083
Public Works	8,246		0	8,246
Health and Welfare				0
Recreation and Cultural	40,704			40,704
Other	9,339		0	9,339
Capital Outlay			0	0
Debt Service	0		23,900	23,900
Total Expenditures	645,595	209,705	109,440	964,740
Excess of Revenues Over (Under) Expenditures	30,640	(124,140)	(17,558)	(111,058)
Other Financing Sources (Uses)				
Transfers In	37,836	21,744	0	59,580
Transfers (Out)	(21,744)		0	(21,744)
Bond Proceeds	0			0
Total Other Financing Sources (Uses)	16,092	21,744	0	37,836
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	46,732	(102,396)	(17,558)	(73,222)
Fund Balance January 1, 2006	468,520	102,397	65,867	636,784
Fund Balance December 31, 2006	\$515,252	\$1	\$48,309	\$563,562

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	(\$73,222)
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	\$17,630
Repayment of debt principal is an expenditure in governmental funds, but not in the statement of activities.	(55,988)
Changes in compensated absences are recorded when earned.	0
Change in Net Assets of Governmental Activities	(\$111,580)

CHARTER TOWNSHIP OF ELMWOOD
Combined Balance Sheet
All Enterprise Funds
December 31, 2006

	2006
ASSETS	
Cash	\$1,527,042
Account Receivable - Trade	99,449
Account Receivable - SA	771,056
Due From Other Funds	0
Other Receivable	50,784
Taxes Receivable	24,796
Prepaid Expense	46,734
Property, Plant & Equipment - Net	<u>4,590,070</u>
Total Assets	<u><u>7,109,931</u></u>
LIABILITIES AND FUND EQUITY	
LIABILITIES:	
Accounts Payable	22,346
Deferred Revenue	750,031
Security Deposits	11,945
Accrued Interest Payable	3,000
Due To Other Funds	73,774
Bonds Payable	<u>1,448,706</u>
Total Liabilities	2,309,801
FUND EQUITY:	
Retained Earnings	0
Unreserved	4,800,130
Reserved	<u>4,800,130</u>
Total Fund Equity	<u>4,800,130</u>
Total Liabilities and Fund Equity	<u><u>\$7,109,931</u></u>

CHARTER TOWNSHIP OF ELMWOOD
Combined Statement of Revenues, Expenditures and
Changes in Retained Earnings
All Enterprise Fund Types
For the Year Ended December 31, 2006

OPERATING REVENUES

Charges for Service	\$808,664	
Taxes	125,711	
Refunds and Other	<u>45,836</u>	
Total Operating Revenues		<u>980,211</u>

OPERATING EXPENDITURES

Operation and Maintenance	284,570	
Other Expenses	274,103	
Administration	34,400	
Depreciation	<u>264,456</u>	
Total Operating Expenditures		<u>857,529</u>
Operating Income (Loss)		122,682

NON-OPERATING INCOME (EXPENSE)

Interest Expense and Fees	(178,322)	
Interest on Investments	98,026	
Proceeds from Grant	0	
Transfers In (Out)	<u>0</u>	
Total Non-Operating Income (Expense)		<u>(80,296)</u>

NET INCOME (LOSS) 42,385

RETAINED EARNINGS, BEGINNING 4,757,745

Prior Period Adjustment 0

RETAINED EARNINGS, ENDING \$4,800,130

CHARTER TOWNSHIP OF ELMWOOD
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2006

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Operating Income	\$42,385
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	264,456
(Increase) Decrease in Account Receivables - Trade	(9,124)
(Increase) Decrease in SA Receivable	78,889
(Increase) Decrease in Property Taxes Receivable	(51,203)
(Increase) Decrease in Due From Other Funds	24,234
Increase (Decrease) in Deferred Revenue	(74,307)
Increase (Decrease) in Accounts Payable	(692)
Increase (Decrease) in Security Deposits	0
Increase (Decrease) in Accrued Interest Payable	0
Increase (Decrease) in Due to Other Funds	37,850
	<hr/>
Net Cash Provided by Operating Activities	312,488
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Deposits	0
Acquisition of Capital Assets	0
	<hr/>
Net Cash Provided by Investing Activities	0
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal paid on Long-Term Debt	(79,898)
Change in Deposits	0
	<hr/>
Net Cash Used by Financing Activities	(79,898)
TRANSFERS IN / (OUT)	0
	<hr/>
NET INCREASE IN CASH AND EQUIVALENTS	232,590
CASH AND EQUIVALENTS, BEGINNING	1,294,452
	<hr/>
CASH AND EQUIVALENTS, ENDING	<u><u>\$1,527,042</u></u>

CHARTER TOWNSHIP OF ELMWOOD
Statement of Net Assets
Trust and Agency Funds
December 31, 2006

ASSETS

Cash	<u>\$2,343</u>
Total Assets	2,343

LIABILITIES AND NET ASSETS

Due to Other Agencies	<u>2,343</u>
Total Liabilities and Net Assets	<u>\$2,343</u>

**CHARTER TOWNSHIP OF ELMWOOD
FOOTNOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. Reporting Entity

Elmwood Township is a Charter Township located in Leelanau County, Michigan. The Township is governed by an elected seven member board. Services are provided to approximately 4,300 residents and include fire protection, road maintenance, a marina, water and sewer distribution and general community enrichment services.

The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Township. The criterion used to determine the reporting entity, "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials". As such, the Township has no other agencies reported as Component Units of the Township which requires a discreet presentation in accordance with GASB 14.

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Summary of Significant Accounting Policies

Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

The accounting policies of the Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Fixed Assets

All Proprietary funds are accounted for on a cost of service measurement focus. The operating statements present increases and decreases in net total assets. Depreciation of all fixed assets is charged as an expense against their operations. Accumulated depreciation is reported on the balance sheet. Depreciation for the Proprietary funds is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Life</u>	
Equipment	Straight Line	5-10 years	
Plant	Straight Line	40 years	
Fire Trucks	Straight Line	15 years	
	Asset	Depreciation	Accumulated Depreciation
Proprietary Funds			
Buildings and Imp	285,828	9,144	156,049
Equipment	88,955	11,154	46,338
Marina	2,017,834	86,820	981,256
Water Systems	1,031,362	60,636	635,983
Sewer System	<u>3,626,334</u>	<u>94,132</u>	<u>1,688,977</u>
	7,050,313	261,886	3,462,265

E. Fixed Assets - Governmental Funds

All Governmental funds are accounted for on a modified accrual basis of accounting. All capital outlay is expensed in the appropriated fund. Under GASB 34 all fixed assets (net of accumulated depreciation) and long term debt are booked on the balance sheet as Net Assets and Long Term Debt. Depreciation of all fixed assets is charged as an expense against their operations. Accumulated depreciation is reported on the balance sheet. Depreciation for the Governmental Funds is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Life</u>	
Buildings	Straight Line	40 years	
Equipment	Straight Line	5 to 25 years	
Plant	Straight Line	30 to 50 years	
	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Buildings and Land	1,549,236	35,673	257,732
Vehicles	506,005	34,321	340,807
Equipment	<u>70,443</u>	<u>6,993</u>	<u>42,384</u>
Total General Fixed Assets	2,125,684	76,987	640,924

F. Budgets and Budgetary Accounting

The general fund and enterprise fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board.

2. Excess of Expenditures over Appropriations

The local unit shall not incur expenditures in excess of appropriations. This also requires a disclosure of all such functional areas which exceeded budget. As such, a budgeted statement is included in the supplementary data portion of these financial statements.

The expenditures were all approved by the Board except for those which occurred as accounts payable at year end.

3. Financial Control of Funds

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

1. Direct obligations of the United States or an agency or instrumentality of the United States.
2. In any account or depository which is a member of the F.D.I.C. or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
3. Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more than 270 days following the date of purchase.
4. In United States Government or federal agency obligations repurchase agreements.
5. In bankers acceptances of the United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

4. Cash and Investments

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.

j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

B. Deposits of the Township are as authorized by the Township Board. A summary of these accounts and amounts is included in the supplemental data section of this report. All funds of the Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet account for all funds includes all cash, investments and imprest (petty cash) funds.

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

	<u>Carrying Value</u>
Insured	\$ 100,000
Uninsured	\$ 469,470

The Township also has \$1,453,554 invested in certificates of deposit.

The Sewer Fund has investments with Huntington Investments as follows:

Huntington Money Market	\$ 3,359
FHLB, FHLMC and FNMA	\$175,077
Total	\$178,436

6. Long Term Debt

A. Listed below are descriptions of the bond issues and installment contracts in the township governmental activities and business activities.

1. Elmwood Township Special Assessment Bonds, 2004 Bond Issue dated 7/1/04, original issue amount \$1,200,000, interest rates 4.30% - 4.375%, interest due dates 3/1 and 3/1, principal due date 3/1. Used to finance Greilickville water main.
2. 1999 Elmwood Township Special Assessment Bonds, original issue amount \$195,000, interest rate 5.0% interest due dates 5/1 and 11/1, principal due date 11/1. Used to finance Leelanau Hills Special Assessment District.
3. 2002 Elmwood Township Special Assessment Bonds, original issue amount \$79,000, interest rate 4.85%, interest due dates 5/1 and 11/1, principal due date 11/1. Used to finance improvements to Timberlee Water Fund.
4. \$419,000 installment note payable to bank dated 7/9/02, 4.51% interest rate, due in monthly installments of \$4,348 including interest. Used to finance the Marina expansion.

B. Changes in the long-term debt are schedules below:

Bonds Payable	Balance 01/01/06	Additions	Retirements	Balance 12/31/06
1999 SAB Leelanau Hills	58,000		21,000	37,000
2002 SAB Timberlee	50,000		8,000	42,000
2004 SAB Greilickville	1,165,000		65,000	1,100,000
Total	1,273,000		94,000	1,179,000
General Long-Term Debt				
4.51% NP Marina Expansion	300,725		45,224	255,501
Total	1,573,725		139,224	1,434,501

c. Debt service requirements to maturity.

	Principal	Interest	Principal	Interest
2007	60,000	49,179	70,402	14,661
2008	65,000	46,460	67,309	11,316
2009	65,000	43,633	58,323	8,314
2010	60,000	40,906	55,389	5,660
2011	60,000	38,281	50,347	3,090
2012	60,000	35,656	32,731	569
2013	65,000	32,922		
2014	60,000	30,188		
2015		27,555		
2016	120,000	24,915		
2017		22,230		
2018	120,000	19,500		
2019		16,695		
2020	120,000	13,815		
2021		10,875		

2022	120,000	7,875		
2023		4,845		
2024	125,000	1,657		
Total	1,100,000	467,187	334,501	43,610

5. Use Of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

6. Accounts Receivable

\$99,816 of accounts receivable represents billed sewer and water fees not yet collected.

7. Interfund Transfers

General Fund		
Due From Timberlee	\$37,851	
Timberlee		
Due to General		37,851

8. Pension Plan

The Township participates in a defined contribution pension plan covering all elected officials and other part-time employees. The Township contributes \$100 for each \$1000 of annual compensation. The Township's contribution for the year ended December 31, 2005 amounted to \$23,202.

9. Deferred Compensation Plan

The Township offers all Township officers, officials and employees who are employed for more than thirty hours per week a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the participants to defer a portion of their salary until future years.

10. Compensated Absences and Post Employment Benefits

Employees are allowed to accrue four hours of sick leave each month. One quarter of the sick days vest under the Township's policy. In addition, employees are granted vacation leave up to 15 days annually depending upon years of service. Employees are permitted to carry over no more than five days of accumulated leave to the next calendar year. At December 31, 2006 the accrued vested liability was \$7,153.

11. Risk Management

The Township carries liability insurance through Municipal Underwriters of Michigan as a protection against risk.

12. Inventories

The Township does not maintain a substantial inventory of supplies or materials.

13. Taxes Receivable

Taxes receivable are offset by deferred revenue until the beginning of the Township fiscal year, at which time the current levy is recognized as revenue. Total taxes receivable at December 31, 2006 were \$317,679.

14. Segment Information - Enterprise Funds

	Sewer	Marina	Timberlee Water Fund	Greilickville Water Fund
Operating Revenue	348,714	416,911	66,917	33,980
Depreciation	94,132	107,118	15,602	47,605
Operating Income (Loss)	(47,907)	92,624	9,976	(68,315)
Current Capital Contributions				
Total Assets	2,553,584	2,173,432	425,457	2,782,255
Bonds and Long-term Debt		255,501		1,135,000
Total Equity	2,529,577	1,911,408	330,939	1,615,292

15. Contingent Liabilities

Township management is aware of no contingent liabilities on the part of the Township.

SUPPLEMENTAL STATEMENTS

WILSON, WARD CPA FIRM

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To the Charter Township Board
Elmwood Township
Traverse City, MI

We have audited the combined financial statements of the Charter Township of Elmwood, Michigan for the year ended December 31, 2006. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
February 28, 2007

General Fund

CHARTER TOWNSHIP OF ELMWOOD
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2005 & December 31, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
Revenue					
Current Property Taxes	\$142,300	\$142,300	\$136,436	\$142,116	(\$184)
Delinquent Taxes	10,200	10,200	13,643	14,029	3,829
PTAF	50,000	50,000	47,792	48,709	(1,291)
Licenses and Permits	54,000	54,000	56,405	57,580	3,580
Insurance Paybacks	0	0	0	0	0
Earned Interest	15,000	15,000	17,404	38,011	23,011
Rents and Royalties	24,200	24,200	14,274	14,172	(10,028)
Charges for Service	3,200	3,200	15,729	17,544	14,344
Woodlands	0	0	0	0	0
Contingency	0	60,000	0	0	(60,000)
State Shared Revenue	290,000	290,000	241,636	292,226	2,226
Uniform Traffic	4,000	4,000	4,789	4,787	787
Metro Act	0	0	0	5,780	5,780
State Grant	0	0	0	5,840	5,840
Park Escrow	0	0	0	0	0
Other Revenue	25,030	25,030	37	35,441	10,411
Insurance Claim	0	0	0	0	0
Interest CDs	0	0	0	0	0
Total Revenues	617,930	677,930	548,145	676,234	(1,696)
Expenditure					
Legislative					
Township Board:					
Salaries and Wages	48,815	49,815	34,415	48,837	978
Mileage	100	100	0	0	100
Dues	0	0	4,788	4,934	(4,934)
Professional Fees	28,650	64,650	36,669	68,379	(3,729)
Public Access Franchise	14,500	14,500	14,277	7,246	7,254
Office Supplies	100	100	67	0	100
Other Functions			0	0	0
Misc	6,000	6,000	67	112	5,888
Parks Maint			0	0	0
Brownfield Redev			0	0	0
Contingency	2,000	2,000	0	0	2,000
Education	3,000	3,000	1,045	95	2,905
Printing	4,000	4,000	4,182	7,867	(3,867)
Total Township Board	\$107,165	\$144,165	\$95,510	\$137,470	\$6,695

CHARTER TOWNSHIP OF ELMWOOD
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2005 & December 31, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
General Government:					
Township Supervisor					
Salaries and Wages	\$45,120	\$45,120	\$28,000	\$40,844	\$4,276
Office Supplies	100	100	48	22	78
Transportation	500	500	161	52	448
Education and Training	800	800	1,101	20	780
Total Supervisor	46,520	46,520	29,310	40,938	5,582
Elections:					
Salaries and Wages	8,000	8,000		7,920	80
Office Supplies	3,600	3,600	(1,141)	7,295	(3,695)
Contract Services	2,000	2,000		704	1,296
Transportation	100	100		347	(247)
Printing and Supplies	3,200	3,200		131	3,069
Education	100	100	0	0	100
Total Elections	17,000	17,000	(1,141)	16,397	603
Assessor:					
Salaries and Wages	58,460	58,460	40,000	52,954	5,506
Office Supplies	2,900	2,900	1,271	2,585	315
Operating Supplies	5,000	5,000	5,962	4,635	365
Transportation	1,000	1,000	699	743	257
Education	800	800	637	350	450
Total Assessor	68,160	68,160	48,569	61,266	6,894
Clerk:					
Salaries and Wages	52,210	52,210	38,995	50,848	1,362
Contract Services	2,000	2,000	1,950	1,950	50
Office Supplies	800	800	1,104	882	(82)
Transportation	100	100	48	39	61
Education	2,000	2,000	1,395	190	1,810
Repairs and Maintenance	100	100	0	0	100
Total Clerk	57,210	57,210	43,492	53,909	3,301
Board Of Review:					
Salaries and Wages	1,025	1,025	996	1,088	(63)
Office Supplies	50	50	19	34	16
Printing	300	300	263	123	177
Education	100	100	100	0	100
Total Board of Review	1,475	1,475	1,378	1,245	130
Treasurer:					
Salaries and Wages	54,840	54,840	41,884	54,031	809
Office Supplies	5,350	5,350	4,194	7,419	(2,069)
Transportation	200	200	192	161	39
Repairs and Maintenance	100	100	1,124	0	100
Education	100	100	0	0	100
Contract Services	6,100	6,100	5,291	4,401	1,699
Total Treasurer	66,690	66,690	52,685	66,012	678
Township Hall:					
Salaries and Wages	4,850	4,850	5,171	4,969	(119)
Office Supplies	5,200	5,200	5,801	4,654	546
Operating Supplies	700	700	1,629	1,200	(500)
Janitorial Service	3,300	3,300	3,174	3,249	51
Telephone	3,500	3,500	4,029	4,077	(577)
Repairs and Maintenance	3,000	3,000	11,770	4,377	(1,377)
Buildings	26,000	26,000	0	0	26,000
Public Utilities	20,560	20,560	8,012	19,705	855
Total Township Hall	67,110	67,110	39,586	42,231	24,879
Total General Government	\$324,165	\$324,165	\$213,879	\$281,997	\$42,068

The footnotes are an integral part of these Financial Statements

CHARTER TOWNSHIP OF ELMWOOD
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2005 & December 31, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
Public Safety					
Planning:					
Salaries and Wages	\$10,850	\$21,850	\$13,336	\$20,180	\$1,670
Office Supplies	1,100	1,100	287	116	984
Professional Fees-Legal	5,000	13,000	16,113	25,639	(12,639)
Contract Services-Planning	10,000	30,500	30,824	54,939	(24,439)
Printing	2,500	2,500	2,180	390	2,110
Education	200	200	1,519	1,020	(820)
Memberships	950	950	950	0	950
Total Planning	30,600	70,100	65,209	102,284	(32,184)
Planning Administration					
Salaries and Wages	38,060	38,060	32,550	38,197	(137)
Office Supplies	100	100	1,351	0	100
Education	1,000	1,000	299	0	1,000
Total Planning Administration	39,160	39,160	34,200	38,197	963
Zoning Board of Appeals:					
Salaries and Wages	2,850	2,850	1,542	3,132	(282)
Office Supplies	100	100	0	59	41
Professional Fees-Legal	1,000	1,000	0	41	960
Printing	200	200	234	355	(155)
Education	300	300	0	0	300
Total Zoning Board of Appeals	4,450	4,450	1,776	3,587	863
Zoning Administration					
Salaries and Wages	16,850	16,850	10,513	16,031	819
Office Supplies	850	850	0	161	689
Professional Fees-Legal	2,000	7,000	4,300	7,267	(267)
Transportation	325	325	348	311	14
Education	300	300	80	0	300
	20,325	25,325	15,241	23,771	1,554
Total Public Safety	94,535	139,035	116,426	167,838	(28,803)
Public Works:					
Street Lighting	8,500	8,500	7,301	8,246	254
Recreation and Culture:					
Parks :					
Salaries and Wages	12,920	12,920	13,037	13,227	(307)
Planning Services	20,000	20,000	0	22,235	(2,235)
Repairs and Maintenance	5,300	5,300	16,536	3,582	1,718
Supplies	0	0	306	397	(397)
Public Utilities	1,180	1,180	1,048	1,263	(83)
Total	\$39,400	\$39,400	\$30,927	\$40,704	(\$1,304)
Total Recreation and Culture					

CHARTER TOWNSHIP OF ELMWOOD
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2005 & December 31, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
Other Functions					
Employee Fringe Benefits	\$0	\$0	\$56,795	\$0	\$0
Insurance and Bonds	11,000	11,000	9,339	9,339	1,661
Tax Tribunal Refunds	0	0	0	0	0
Total	11,000	11,000	66,134	9,339	1,661
Capital Outlay			0	0	
Total Expenditures	584,765	666,265	530,177	645,595	20,570
Excess Revenues Over (Under) Expenditure	33,165	11,665	17,968	30,640	18,975
Other Financing Sources (Uses)					
Transfers Out	135,000	135,000	48,188	21,744	113,256
Transfers In	42,000	42,000	40,900	37,836	4,164
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Use:	(59,835)	(81,335)	10,680	46,732	132,231
Fund Balance - Beginning of Year			457,840	468,520	
Fund Balance - End of Year			<u>\$468,520</u>	<u>\$515,252</u>	

Special Revenue Funds

CHARTER TOWNSHIP OF ELMWOOD
Combining Balance Sheet
All Special Revenue Funds
December 31, 2005 & 2006

	Liquor Control Fund		Fire Fund		Police Fund		Street Lighting Fund		Total (Memo Only)	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
ASSETS										
Cash	\$0	\$0	\$20,097	\$12,010	\$44,489	\$32,213	\$530	\$542	\$65,116	\$44,765
Due From Other Funds	0	0	90,312	0	0	0			90,312	0
Due From State		0							0	0
Taxes Receivable			221,755	88,659	62,321	68,900	165	31	284,241	157,590
Total Assets	0	0	332,164	100,669	106,810	101,113	695	573	439,669	202,355
LIABILITIES AND FUND EQUITY										
LIABILITIES:										
Accounts Payable	0	0	8,012	12,008	15,745	13,986	0	342	23,757	26,336
Due to Other Funds									0	0
Deferred Taxes	0	0	221,755	88,659	62,321	68,900	0	0	284,076	157,559
Total Liabilities	0	0	229,767	100,667	78,066	82,886	0	342	307,833	183,895
FUND EQUITY:										
Fund Balance:										
Unreserved	0	0	102,397	1	28,744	18,227	695	232	131,836	18,461
Total Fund Equity	0	0	102,397	1	28,744	18,227	695	232	131,836	18,461
Total Liabilities and Fund Equity	\$0	\$0	\$332,164	\$100,669	\$106,810	\$101,113	\$695	\$574	\$439,669	\$202,355

The footnotes are an integral part of these Financial Statements.

CHARTER TOWNSHIP OF ELMWOOD
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Special Revenue Funds
For the Year Ended December 31, 2005 & 2006

	Liquor Control Fund				Fire Fund				Police Fund				Street Lighting Fund				Total	
	2005 Actual	Budget	2006 Actual	Variance	2005 Actual	Budget	2006 Actual	Variance	2005 Actual	Budget	2006 Actual	Variance	2005 Actual	Budget	2006 Actual	Variance	2006 Actual	2006 Actual
REVENUES																		
Taxes	\$0	\$0	\$0	\$0	\$80,189	\$84,280	\$84,580	\$280	\$62,307	\$65,570	\$65,624	\$54					\$142,498	\$150,185
State Aid	3,106	2,700	3,654	954													3,106	3,654
																	0	0
																	0	0
Charges for Services					1,924	4,900	120	(4,780)					594	594	526		2,518	646
Interest					369	400	319	(81)	1,280	1,000	1,061	61					1,629	1,380
Other							566		3,106	2,700	3,695	995					3,106	4,261
Taxes																	0	0
Total Revenues	3,106	2,700	3,654	954	82,482	89,580	85,565	(4,015)	66,673	69,270	70,380	1,110	594		526		152,856	160,126
EXPENDITURES																		
Public Safety/Routine Maintenance					171,456	224,480	209,705	14,775	72,383	62,300	80,897	(18,597)	557	575	989		244,396	291,591
Other Administration					0		0										0	0
Construction Improvements					0						0						0	0
Contracted Services																	0	0
Law Enforcement	3,106	2,700	3,654	(954)													3,106	3,654
Capital Outlay					0												0	0
Total Expenditures	3,106	2,700	3,654	(954)	171,456	224,480	209,705	14,775	72,383	62,300	80,897	(18,597)	557		989		247,502	295,245
EXCESS REVENUES OVER (UNDER)																		
EXPENDITURES	0		0		(88,074)		(124,140)		(5,710)		(10,517)		37		(403)		(94,047)	(135,119)
FUND BALANCE, BEGINNING	0		0		136,553		102,397		34,454		28,744		658		695		171,665	131,836
Transfer In	0		0		54,818	135,000	21,744										54,818	21,744
FUND BALANCE, ENDING	\$0		\$0		\$102,397	\$135,000	\$1		\$28,744		\$18,227		\$695		\$232		\$131,836	\$18,461

The footnotes are an integral part of these Financial Statements.

Debt Service Funds

CHARTER TOWNSHIP OF ELMWOOD
Combining Balance Sheet
All Debt Service Funds
December 31, 2005 & 2006

	Fire Building Fund		Northern Lights Fund		Leelanau Hills Fund		Totals Memo Only	
	2005	2006	2005	2006	2005	2006	2005	2006
ASSETS								
Cash	\$0	\$0	\$512	\$8,462	\$36,095	\$22,951	\$36,607	\$31,413
Due From General Fund								
Due From State								
Special Assessment Receivable			14,695	13,341	31,168	17,591	45,863	30,933
Total Assets	0	0	15,207	21,802	67,264	40,542	82,471	62,345
LIABILITIES AND FUND EQUITY								
LIABILITIES:								
Accounts Payable	0	0	0	0	0	0	0	0
Due to Other Funds								
Deferred Taxes			15,021	15,020	31,022	17,475	46,043	32,495
Total Liabilities	0	0	15,021	15,020	31,022	17,475	46,043	32,495
FUND EQUITY:								
Fund Balance:								
Unreserved	0	0	186	6,782	36,242	23,068	36,428	29,850
Total Fund Equity	0	0	186	6,782	36,242	23,068	36,428	29,850
Total Liabilities and Fund Equity	\$0	\$0	\$15,207	\$21,802	\$67,264	\$40,542	\$82,471	\$62,345

The footnotes are an integral part of these Financial Statements.

CHARTER TOWNSHIP OF ELMWOOD
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Debt Service Funds
For the Year Ended December 31, 2005 & 2006

	Fire Building Fund		Northern Lights Fund		Leelanau Hills Fund		Totals Memo Only	
	2005 Actual	2006 Actual	2005 Actual	2006 Actual	2005 Actual	2006 Actual	2005 Actual	2006 Actual
REVENUES								
Taxes	\$141,605	\$0					\$141,605	\$0
State Aid								
Special Assessments			6,794	6,245	17,400	8,936	24,194	15,181
Charges for Services								
Interest	1,297	0	35	350	634	1,790	1,966	2,140
Other								
Taxes								
Total Revenues	142,902	0	6,829	6,596	18,034	10,726	167,765	17,322
EXPENDITURES								
Debt Service	139,061	0			24,950	23,900	164,011	23,900
Public Works							0	0
Construction Improvements								
Contracted Services								
Law Enforcement								
Capital Outlay								
Total Expenditures	139,061	0	0	0	24,950	23,900	164,011	23,900
EXCESS REVENUES OVER (UNDER) EXPENDITURES	3,841	0	6,829	6,596	(6,916)	(13,174)	3,754	(6,578)
FUND BALANCE, BEGINNING	2,789	0	769	186	43,158	36,242	46,716	36,428
Transfer In	(6,630)	0	(7,412)				(14,042)	0
FUND BALANCE, ENDING	\$0	\$0	\$186	\$6,782	\$36,242	\$23,068	\$36,428	\$29,850

The footnotes are an integral part of these Financial Statements.

Enterprise Funds

CHARTER TOWNSHIP OF ELMWOOD
Combining Balance Sheet
All Enterprise Funds
For the Years Ended December 31, 2006

	Sewer Fund	Timberlee Water Fund	Greilickville Water Fund	Marina Fund	Total
ASSETS					
Cash	\$260,336	\$91,225	\$465,960	\$709,521	1,527,042
Account Receivable - Trade	75,142	18,088	6,219		99,449
Account Receivable - SA		1,826	769,230		771,056
Due From Other Funds	0	0			0
Other Rec	49,553	1,230			50,784
Deferred Receivable	2,093	22,703			24,796
Prepaid Expenses			46,734		46,734
Property, Plant & Equipment	3,774,997	470,743	1,190,112	2,560,272	7,996,124
Less: Accumulated Depreciation	(1,792,709)	(206,771)	(95,210)	(1,311,364)	(3,406,054)
Total Assets	2,369,413	399,043	2,383,046	1,958,429	7,109,931
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Accounts Payable	475	14,716	632	6,523	22,346
Deferred Revenue	8,588		741,443		750,031
Security Deposits	11,945	0			11,945
Receipts refundable	3,000				3,000
Due To Other Funds	0	37,851		35,923	73,774
Bond Payable			1,151,205		1,151,205
Installment Contract Payable		42,000		255,501	297,501
Total Liabilities	24,008	94,567	1,893,279	297,947	2,309,801
FUND EQUITY:					
Retained Earnings					
Unreserved	2,345,405	304,476	489,767	1,660,482	4,800,130
Reserved	0				0
Total Fund Equity	2,345,405	304,476	489,767	1,660,482	4,800,130
Total Liabilities and Fund Equity	\$2,369,413	\$399,043	\$2,383,046	\$1,958,429	7,109,931

The footnotes are an integral part of these Financial Statements.

CHARTER TOWNSHIP OF ELMWOOD
Combining Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
All Enterprise Funds
For the Years Ended December 31, 2006

	Sewer Fund	Timberlee Water Fund	Greilickville Water Fund	Marina Fund	Total
OPERATING REVENUES					
Charges for Service	\$333,795	\$61,272	\$33,744	\$379,852	\$808,664
Tax Assessments	5,002	2,527	118,182	0	125,711
Refunds and Other	45,311	525	0	0	45,836
Total Revenues	384,108	64,324	151,927	379,852	980,211
OPERATING EXPENDITURES					
Personnel Services	0	0	0	107,827	107,827
Supplies	1,115	105	0	12,553	13,773
Contractual Services	1,623	3,823	300	12,039	17,784
Computer Services	0	0	0	0	0
Maintenance & Repairs	62,975	31,586	25,726	32,151	152,437
Utilities	119,385	1,951	6	10,791	132,133
Insurance	618	396	396	1,549	2,959
Transportation	166	0	0	0	166
Administrative Fee	4,200	900	0	29,300	34,400
Bank Charges	771	0	1	3,380	4,152
Other Expenses	154	69,433	15,375	42,481	127,443
Depreciation and Amortization	94,132	15,602	47,605	107,117	264,456
Total Expenditures	285,138	123,796	89,408	359,187	857,529
OPERATING INCOME (LOSS)	98,970	(59,472)	62,518	20,665	122,682
NON-OPERATING INCOME (EXPENSE)					
Interest - Investments	7,665	1,707	15,895	37,059	62,327
Interest - Special Assessments	2,251	886	32,562	0	35,699
Interest - Debt Payments	(111,482)	(2,425)	(51,881)	(12,533)	(178,322)
Transfers In (Out)	0	0	0	0	0
Total Non-Operating Income (Expenses)	(101,566)	168	(3,423)	24,525	(80,296)
NET INCOME (LOSS)	(2,596)	(59,304)	59,095	45,190	42,385
RETAINED EARNINGS, BEGINNING	2,348,001	363,780	430,672	1,615,292	4,757,745
RETAINED EARNINGS, ENDING	\$2,345,405	\$304,476	\$489,767	\$1,660,482	\$4,800,130

The footnotes are an integral part of these Financial Statements.